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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

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Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING January 1, 2008 AND ENDING December 31, 2008  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Madison Capital Markets, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

600 Lexington Avenue, Suite 1400  
(No. and Street)

New York,  
(City)

NY  
(State)

10022  
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

David R. Menn

212-750-1045  
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Schenker + Rosenblatt, LLC

(Name - if individual, state last, first, middle name)

1 University Plaza, Suite 311, Hackensack, NJ  
(Address) (City) (State)

07601  
(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

SECURITIES AND EXCHANGE COMMISSION RECEIVED	
MAR 2 2009	
BRANCH OF REGISTRATIONS AND EXAMINATIONS	
04	

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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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information contained in this form are not required to respond  
unless the form displays a currently valid OMB control number.

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## OATH OR AFFIRMATION

I, David R. Menn, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Madison Capital Markets, Inc., as of December 31, 2008, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

D. R. Menn

Signature

CEO

Title

Mary Roberts

Notary Public

MARY ROBERTS  
NOTARY PUBLIC, STATE OF NEW YORK  
QUALIFIED IN KING COUNTY  
NO. 01R06167218  
MY COMMISSION EXPIRES 05-29-2011

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent Auditors' Report on Internal Control.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

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## INDEPENDENT AUDITORS' REPORT

To the Stockholders of:  
Madison Capital Markets, Inc.

We have audited the accompanying statement of financial condition of Madison Capital Markets, Inc. as of December 31, 2008, and the related statements of income, changes in stockholders' equity and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Madison Capital Markets, Inc. as of December 31, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Schedule I, required by Rule 17a-5 under the Securities and Exchange Act of 1934, on page 10 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Schenker & Rosenblatt, L.L.C.*

Schenker & Rosenblatt, LLC  
Certified Public Accountants

Hackensack, NJ  
February 17, 2009

ONE UNIVERSITY PLAZA, SUITE 311 • HACKENSACK, NJ 07601  
TELEPHONE (201) 525-1222 FAX (201) 525-1004  
WWW.SRCPAS.COM INFO@SRCPAS.COM

Madison Capital Markets, Inc.  
Statement of Financial Condition  
December 31, 2008

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Assets	
Current assets:	
Cash	\$ 221,114
Due from clearing organization	137,515
Prepaid expenses and other assets	7,064
Total Current assets	<u>365,693</u>
Other assets:	
Security deposit	<u>5,000</u>
Total Assets	<u>\$ 370,693</u>
Liabilities and Stockholder's equity	
Current liabilities:	
Accounts payable and accrued expenses	<u>96,786</u>
Total Current liabilities	<u>96,786</u>
Stockholder's equity:	
Common stock, par value \$.01 per share; 1,000 shares authorized, issued and outstanding	10
Additional paid-in capital	1,040,103
Retained deficit	<u>(766,206)</u>
Total Stockholder's Equity	<u>273,907</u>
Total Liabilities and Stockholders' equity	<u>\$ 370,693</u>

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See accompanying notes to the financial statements

Madison Capital Markets, Inc.  
Statement of Income  
Year Ended December 31, 2008

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Operating revenue:	
Principal transactions	\$ 3,569,982
Other revenue	170,925
Interest and dividends	7,429
Commissions	<u>1,172</u>
Total Operating revenue	<u>3,749,508</u>
Operating expenses	
Employee compensation and benefits	1,898,631
Commissions	1,529,268
Communications and market data	88,669
Clearing and execution fees	68,090
Professional fees	49,466
Other	46,593
Occupancy	40,560
Regulatory fees	<u>9,119</u>
Total Operating expenses	<u>3,730,396</u>
Net income (loss)	<u>\$ 19,112</u>

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See accompanying notes to the financial statements

Madison Capital Markets, Inc.  
Statement Of Changes In Stockholder's Equity  
Year Ended December 31, 2008

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	Common <u>Stock</u>	Additional Paid-In <u>Capital</u>	Accumulated <u>Deficit</u>	<u>Total</u>
Balance @ January 1, 2008	\$ 10	\$ 1,040,103	\$ (785,318)	\$ 254,795
Net income (loss)			19,112	19,112
Balance @ December 31, 2008	<u>\$ 10</u>	<u>\$ 1,040,103</u>	<u>\$ (766,206)</u>	<u>\$ 273,907</u>

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See accompanying notes to the financial statements

Madison Capital Markets, Inc.  
Statement Of Cash Flows  
Year Ended December 31, 2008

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Cash flows from operating activities:	
Net income (loss)	\$19,112
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Due from clearing organization	(37,376)
Prepaid expenses and other assets	12,305
Security deposits paid	(5,000)
Increase (decrease) in:	
Accounts payable and accrued expenses	81,573
Net cash provided (used) by operating activities	<u>70,614</u>
Net increase (decrease) in cash	70,614
Cash, beginning	150,500
Cash, ending	<u><u>\$ 221,114</u></u>

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See accompanying notes to the financial statements



Madison Capital Markets, Inc.  
Notes To Financial Statements  
December 31, 2008

**NOTE 1 – DESCRIPTION OF THE COMPANY**

On November 26, 2007, Expedition Global Markets, LLC (which is the 100% owner of Madison Capital Markets, Inc., the Company) purchased the stock of Equisearch Securities Inc. a registered broker-dealer with the Financial Industry Regulatory Authority (FINRA). On April 1, 2008 Expedition Global Markets, LLC changed its name to Madison Merchant Group, LLC. The Company specializes in executing securities trades for independent institutional investors. In doing so, the Company has the ability to execute trades in most secondary debt and equity markets. The Company, formerly named Equisearch Securities Inc. and now named Madison Capital Markets, Inc. was formed in the state of Georgia on November 12, 2004. The Company became an introducing broker registered with the Securities and Exchange Commission (SEC) on June 22, 2006.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Cash and Cash Equivalents:**

The Company considers all money market accounts, time deposits and certificate of deposits purchased with original maturities of three months or less to be cash equivalents.

**Revenue and Expense Recognition:**

Commission revenues and expenses are generally recorded on a trade-date basis.

**Income Taxes:**

Income taxes (if any) are provided for the tax effects of transactions reported in the financial statements and consists of taxes currently due and deferred taxes (if any). Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. For year ended December 31, 2008, there is no provision for current and deferred income taxes.

**Estimates:**

The preparation of financial statements in conformity with United States of America generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**Recent Accounting Pronouncements:**

The effective date for applying the provisions of FASB Interpretation No. 48 ("FIN 48"), Accounting for Uncertainty in Income Taxes, was deferred for nonpublic entities meeting certain criteria until years beginning after December 15, 2008. As such, the Company will be required to adopt FIN 48 in its 2009 financial statements. The Company believes the adoption of FIN 48 will have no material impact on the operations of the Company in 2009.

Madison Capital Markets, Inc.  
Notes To Financial Statements  
December 31, 2008

**NOTE 3 – RECEIVABLE FROM CLEARING ORGANIZATION**

The clearing and depository operations for customers' securities transactions are provided by one clearing broker pursuant to a fully disclosed clearing agreement with BNP Paribas.

The Company has agreed to indemnify its clearing broker for losses that the clearing broker may sustain from the customer accounts introduced by the Company. At December 31, 2008, there was no activity and, as such, no securities were owned by customers.

At December 31, 2008, the receivable from the clearing organization consists of the following:

Deposit at clearing organization      \$ 137,515

**NOTE 4 – NET CAPITAL REQUIREMENT**

The Company is a registered broker-dealer and, accordingly, is subject to the Securities and Exchange Commission Uniform Net Capital Rule (15c3-1), which requires the maintenance of a minimum net capital of 6-2/3% of aggregate indebtedness, as defined or \$5,000, whichever is greater. At December 31, 2008, the Company had net capital of \$261,843 which was \$255,391 in excess of its required net capital of \$6,452.

**NOTE 5 – FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET CREDIT RISK**

In the normal course of business, the Company enters into various equity transactions as an agent. The execution, settlement, and financing of those transactions can result in off-balance sheet risk of loss not reflected on the accompanying balance sheet.

The Company is exposed to off-balance sheet risk of loss on unsettled transactions between trade date and settlement date in the event clients and other counter parties are unable to fulfill contractual obligations.

The Company's policy is to continuously monitor its exposure to market and counter party risk through the use of a variety of financial, position, and credit exposure reporting and control procedures. In addition, the Company has a policy of reviewing the credit standing of each broker/dealer, clearing organization, client and/or other counter parties with which it conducts business. The Company monitors the market value of collateral and requests and receives additional collateral when required.

Madison Capital Markets, Inc.  
Notes To Financial Statements  
December 31, 2008

**NOTE 6 – COMMITMENT**

The Company entered into a sublease rental agreement with an unaffiliated entity on May 29, 2008 to rent its New York City office space. The agreement runs from June 1, 2008 to May 31, 2012. The future minimum rental payments are as follows:

<u>December 31,</u>	<u>Amount</u>
2009	\$ 99,000
2010	108,000
2011	108,000
2012	<u>45,000</u>
	<u>\$ 360,000</u>

Rent paid under this agreement amounted to \$25,000 for year ended December 31, 2008.

**NOTE 7 – OPERATING REVENUE CONCENTRATION**

The total operating revenue of the Company amounted to \$ 3,749,508. A limited number of customers account for over 80% of the operating revenue for year ended December 31, 2008. None of these customers is obligated contractually to use the Company's trading services.

## SUPPLEMENTARY INFORMATION

Madison Capital Markets, Inc.  
Supplemental Schedule I  
Computation Of Net Capital Pursuant To  
Uniform Capital Rule 15c3-1  
December 31, 2008

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Stockholder's equity	\$ 273,907
Non-allowable assets:	
Prepaid expenses and other assets	(7,064)
Security deposit	<u>(5,000)</u>
Net capital before haircuts	261,843
Haircuts on securities	<u>-</u>
Net capital	261,843
Minimum capital requirements of the greater of 6-2/3% aggregate indebtedness of \$96,786 or \$5,000	6,452
Excess net capital	<u><u>\$ 255,391</u></u>
Ratio of aggregate indebtedness to net capital	<u><u>.37 to 1</u></u>
Aggregate Indebtedness	
Accounts payable and accrued expenses	96,786
Total aggregate indebtedness	<u><u>\$ 96,786</u></u>
Reconciliation of net capital:	
Net capital as reported in Company's unaudited part IIA of the Focus Report	\$ 261,843
Net capital per report pursuant to Rule 17a-5 (d)	<u><u>\$ 261,843</u></u>

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See the accompanying notes to the financial statements



INDEPENDENT AUDITORS' REPORT ON INTERNAL  
CONTROL REQUIRED BY SEC RULE 17a-5

To the Stockholder of:  
Madison Capital Markets, Inc.

In planning and performing our audit of the financial statements of Madison Capital Markets, Inc. (the Company) as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the

Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principals such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be a material weakness, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2008, to meet the SEC's objectives.

This report is intended solely for the information and use of the members, management, the SEC, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Schenker & Rosenblatt, L.L.C.*

Hackensack, New Jersey  
February 17, 2009

Schenker & Rosenblatt, LLC  
Certified Public Accountants

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